



## 2022 QAP Policy Proposals

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Published September 14, 2021.

### I. Overview

This document provides high-level descriptions of policy proposals that DCA may include in upcoming 2022 QAP drafts to be published in October. This document is intended to support continued public input before and between listening sessions and public hearings.

All documents and resources related to the 2022 QAP policy development process are posted to the **2022 QAP and Related Documents** page of the DCA website ([click here](#)).

### Update Process for this Document

DCA will update this document with new or revised policy proposals to support public input prior to and in between listening sessions and public hearings. By releasing proposals incrementally rather than all at once, DCA can increase the average amount of time proposals or targeted questions are available to the public to review.

DCA will not send an email blast each time the document is updated. Individuals interested in providing public input have three options for tracking updates, depending on your preferred level of engagement:

- *Want to be notified each time DCA updates this document?* Add your email list through our online survey ([click here](#)), and we will email you as the document is updated.
- *Want to check in about updates on your own time?* Monitor the “Updated” date by this document on the **2022 QAP and Related Documents** page of the DCA website ([click here](#)).
- *Only want to be notified when a new draft is posted?* When a new QAP draft is posted, DCA will disseminate an email blast through our “General interest” email list. If you are not already signed up, visit the main **Housing Tax Credit (LIHTC)** webpage ([click here](#)) and select “Join our email list.”

### Log of Updates to this Document

The below table provides a high-level description of changes made to the document from one version to the next.

Update	Changes
09/13/21	<ul style="list-style-type: none"> <li>• Initial document release</li> <li>• Proposals included: <ul style="list-style-type: none"> <li>○ Non-substantive changes: QAP clarity editing</li> <li>○ Preservation Set Asides and Scoring</li> <li>○ Diversity, Equity, and Inclusion Initiatives</li> <li>○ Favorable Financing: Community Land Trust Ground Leases</li> <li>○ Stable Communities: Census Tracts with Missing Data</li> </ul> </li> </ul>

## II. Non-substantive changes: QAP Clarity Editing

Posted: September 14, 2021

DCA has contracted with Novogradac to propose non-substantive edits to the QAP that could help to improve its accessibility. A redlined version of Novogradac’s proposed edits is posted on the DCA website ([click here](#)). The types of proposed edits that DCA intends to accept at this time encompass:

- Sentence-level editing to improve readability
- Consolidating related information in one place
- Removing information where possible to ease the process of identifying substantive policy. Examples include text that was deemed to be:
  - A reiteration of federal or state law
  - Repeated elsewhere in the QAP or in another document
  - Not a rule, requirement, or allocation criterion

At this time, DCA anticipates phasing in the proposed edits to allow more time to discuss the implications of proposed edits, with the following expected timeline:

2022 QAP	<ul style="list-style-type: none"> <li>• Core Plan</li> <li>• Scoring Criteria</li> </ul>
2023 QAP	<ul style="list-style-type: none"> <li>• Threshold Criteria</li> <li>• Compliance Addendum</li> </ul>

However, for purposes of providing the full context for public comment, DCA has posted a full redlined QAP draft including all proposed edits.

## III. Substantive Changes: 2022 QAP Proposals

The below policy proposals are listed in descending order by date posted or updated.

### Preservation Set Asides

Posted: September 14, 2021

#### Overview

DCA proposes addressing the following four preservation priorities under the 2022 QAP:

- Housing Tax Credit properties
- Properties with HUD- or PHA-administered project-based rental assistance
- Properties with USDA-administered project-based rental assistance
- Public housing undergoing a RAD conversion

	<b>Housing Tax Credit</b>	<b>HUD or PHA PBRA</b>	<b>USDA PBRA</b>	<b>RAD</b>
<b>Set Aside Limit</b> (awards)	4	1	1	1

DCA proposes the following requirements and scoring criteria for these set asides, detailed below.

- **Requirements**
  - ROFR Procedures (*Housing Tax Credit set aside only*)
  - Ownership Transfer Limits
  - Program Minimum
- **Scoring**
  - Affordability Loss Risk
  - PBRA contracts
  - Tax Credit Restrictions (*Housing Tax Credit set aside only*)
  - Property Age<sup>(1)</sup> (*HUD/PHA, USDA, and RAD set asides only*)
  - Property condition
  - Occupancy<sup>(1)</sup>
  - Extended Affordability<sup>(1)</sup>
  - Compliance Performance<sup>(1)</sup>
  - Underserved Populations<sup>(1)</sup>
- **Tiebreakers**

(1) These sections above are in the 2021 QAP, and at this time DCA is not proposing adjustments.

See below for details on new and revised sections.

**(New) Requirement: Right of First Refusal Procedures**

*(Housing Tax Credit Competition only)*

To be eligible for this set aside, existing Housing Tax Credit properties must have completed all applicable Section 42(i)(7) Right of First Refusal procedures, if applicable.

**(New) Requirement: Ownership Transfer Limits**

The seller did not, or will not, receive any operating, maintenance, or other reserve funds as a result of or concurrent with the sale of the asset.

**(New) Requirement: Program Minimum**

At least 51% of existing units are subsidized or restricted through the applicable program.

**(New) Scoring: Affordability Loss Risk**

Applicants will be ranked comparatively based on the extent to which, absent a 9% Credits award, existing residents risk facing a significant rent increase or displacement due to either of the following:

- Conversion of restricted rents to market rents

- Loss of project-based rental assistance

DCA will review applicant-submitted evidence of associated risk factors and will assign points based on the comparative ranking using the distribution below.

<b>Percent of Applications</b>	<b>Points</b>
Top 25% most at risk	6
50%	4
25%	2

**(New) Scoring: PBRA contracts**

Proportion of units in the proposed unit mix covered by federally-funded project-based rental assistance administered by HUD, USDA, or a PHA.

<b>Proportion of restricted units</b>	<b>Points</b>
95% or more units restricted	6
80% - 95%	4
60% - 80%	2
40% - 60%	1

**(Revised) Scoring: Tax Credit Restrictions**

*(Housing Tax Credit Competition only)*

This section is currently in the 2021 QAP. DCA proposes adjusting this section as described below.

Extended Use Period expiration date is within the following timeframes:

<b>Years from Application Submission Deadline</b>	<b>Points</b>
Less than or equal to 1 year	8
1 to 3 years	6
3 to 5 years	4
6 – 10 years	2

Minimum Documentation: Land Use Restrictive Covenant

**(New) Scoring Category: Property Condition**

DCA is exploring options for providing a competitive advantage to properties exhibiting a greater need for repairs relative to other applicants. This may also involve requiring evidence that the property was well maintained to the best ability of the owner.

DCA is reaching out to relevant stakeholders to identify options for approaching such a scoring section, and DCA welcomes suggestions from the public. In the 2021 QAP, DCA implemented “Property Age” in lieu of scoring based on property condition and may do so again in the 2022 QAP.

**(New) Tiebreakers**

If necessary, the following tiebreakers would apply to each set aside in the order listed:

1. Ratio of program units to target population (as defined by income) for the county.
  - a. *Housing Tax Credit Properties Set Aside* example: the number of households whose income is less than 60% AMI, according to the most recent Census Bureau estimates, divided by the number of existing Housing Tax Credit units in the county.
2. Ratio of program units to target population (as defined by income) for the Local Government Boundary.
3. The number of program units being preserved under the application.
4. The tiebreakers applicable to the New Supply competition listed under *Evaluation of 9% Tax Credit Competitive Applications*, subsection D(4).

### **Note on HOME-funded preservation**

At this time, DCA anticipates that, separate from the QAP, certain preservation initiatives be funded with HOME.

- Naturally Occurring Affordable Housing (NOAH)
  - DCA proposes using HOME funds to preserve NOAH properties. NOAH properties have comparatively fewer displacement mitigation protections relative to federally-restricted properties, and HOME funding allows for household incomes up to 80% AMI. This would allow for 60%-80% AMI households to remain in place and fewer units needing to convert to market.
- USDA properties
  - While DCA proposes setting aside a small amount of 9% Credits to preserve USDA properties, DCA recognizes that most USDA preservation initiatives are too small to justify the additional costs associated with securing Housing Tax Credits. For such smaller rehabilitations, HOME may be a more appropriate funding source.

### **Diversity, Equity, and Inclusion (DEI) Scoring Initiatives**

Posted: September 14, 2021

Applicants can claim points in each of the following subsections related to Minority- and Woman-Owned Business Engagement:

- A. **Engagement Commitment and Report:** Applicant can claim one (1) point for committing to engage MBE/WBE entities and to submit a MBE/WBE Engagement Report with Final Allocation Application; the report must be submitted prior to issuance of 8609. This report would detail successes, obstacles, and other notes pertaining to the applicant's attempts to follow through on this commitment. For purposes of this option, MBE/WBE eligibility can be self-certified.
- B. **Project Team Eligibility:** Applicant can claim two (2) points if one or more members of the Project Team is a certified MBE/WBE organization. For purposes of this option, DCA will post eligible certification programs. This is limited to the following Project Team members:
  - Developer
  - General Partner
  - Architect

- Co-developers/Consultants with over 20% ownership interest in the proposed development

C. **Prior MBE/WBE Engagement:** Applicant can claim two (2) points for submitting a retroactive MBE/WBE Engagement Report with the Application. The report would detail any partnerships with MBE/WBE-certified companies related to Housing Tax Credit development or operations over the prior two years. For purposes of this option, DCA will post eligible certification programs.

## Favorable Financing: Community Land Trust Ground Leases

Posted: September 14, 2021

Recognizing the important role of community land trusts in furthering the long-term affordability of affordable housing, DCA proposes implementing the below change in *Scoring Criteria, Favorable Financing*, subsection B. *Long-term Ground Lease*:

*One (1) point will be awarded for Applications receiving a long-term ground lease (no less than 45-year) from a local public housing authority, ~~or~~ government entity, or community land trust for nominal consideration and no other land costs.*

## Stable Communities: Census Tracts with Missing Data

Posted: September 14, 2021

The below proposed change is intended to provide a scoring path under *Stable Communities*, subsection B. *Health and Economic Indicators* for census tracts that are missing data.

~~*Life Expectancy data coverage in low-populated areas is less than for Census Bureau data.*~~

~~*Applicants within a census tract without data for a metric for which there is no data may use the value of the nearest census tract with data for that metric. if said census tract is within 0.25 miles of the site.*~~